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ADMITTED TO PRACTICE IN:
ARIZONA, COLORADO, MONTANA,
NEVADA, TEXAS, WYOMING,
DISTRICT OF COLOMBIA

September 25, 2006

Arizona Corporation Commission
DOCKETED

SEP 27 2006

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Shaunna Lee-Rice
Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

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SEP 25 2006

ARIZONA CORP. COMM
400 W CONGRESS STE 218 TUCSON AZ 85701

Re: Diablo Village Water Company
Docket No. W-02309A-05-0501

Dear Ms. Lee-Rice,

Enclosed for filing in the above-referenced docket are the original and thirteen (13) copies of Applicant's Prepared Direct, Supplemental Direct and Rebuttal Testimony and Exhibits.

Also enclosed are two (2) additional copies of the testimonies and exhibits. I would appreciate it if you would "filed" stamp the same and return them to me in the enclosed stamped and addressed envelope.

Thank you for your assistance with regard to this matter.

Sincerely,

Lawrence V. Robertson, Jr.

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2006 SEP 21 P 2:43
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RECEIVED PREPARED SUPPLEMENTAL DIRECT TESTIMONY
OF

2006 SEP 27 P 2:43

SHEILA BOWEN
ARIZONA CORPORATION COMMISSION
DOCKET NO. W-02309A-05-0501

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SEP 25 2006

Q.1 Please state your name.

A.1 Sheila Bowen.

ARIZONA CORP. COMM
400 W CONGRESS STE 218 TUCSON AZ 85701

Q.2 Are you the same Sheila Bowen who testified in the hearing which was conducted in this proceeding on May 11, 2006 in Tucson, Arizona?

A.2 Yes, I am.

Q.3 What is the purpose of the Prepared Supplemental Direct Testimony that you are sponsoring at this time?

A.3 The purpose of this testimony is to provide certain information which is intended to be responsive to concerns expressed by the Arizona Corporation Commission ("ACC") Staff towards the end of the May 11, 2006 hearing regarding the ability of Diablo Village Water Company ("DVWC") to adequately and reliably serve the requirements of the Pomegranate Farms Subdivision for water service at complete build-out. More specifically, in preparing its February 2006 Amended ACC Staff Report, in which the ACC Staff recommended that DVWC's Application be granted with certain conditions, the ACC Staff had not been aware that a public school, a fire station and certain commercial development were contemplated within the Pomegranate Farms Subdivision. Thus, the purpose of this testimony is to provide the Administrative Law Judge assigned to this proceeding and the Commission with information relating to storage and well capacity requirements associated with those three (3) categories of customers, in the event they should actually come on line in the future. This same information was previously provided to the parties, after May 11, 2006, in the form of a response to a data request.

Q.4 Have you had occasion since the May 11, 2006 hearing in this proceeding to determine what the increased well production and storage requirements on the DVWC system would be if we assume the construction of a school by Tucson Unified School District ("TUSD"), the construction of a fire station by Drexel Heights Fire District ("DHFD") and development of the commercial properties within the Pomegranate Farms Subdivision?

A.4 Yes, I have.

Arizona Corporation Commission
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Q.5 Please describe how you proceeded to calculate the demand that would be occasioned by the construction and operation of a public school and fire station in Pomegranate Farms Subdivision.

A.5 I discussed the potential school site with Marcus Jones at TUSD. According to TUSD, under the provisions of the current bond authorization, TUSD may construct one elementary and one middle school. An elementary school would be placed on a 10-acre site, while a middle school would require 20-acres. One 10-acre school site is shown on the Application for Comprehensive Plan Amendment ("Amendment Application") on file with Pima County for the Pomegranate Farms Subdivision. Mr. Jones could not say at this time if the school would be an elementary or a middle school.

Similarly, I discussed the potential fire station with Dave Stone at DHFD. According to Mr. Stone, the District is currently conducting feasibility and response time studies for the site. Mr. Stone explained the property is located at the far western edge of DHFD's service area; therefore, the location of a fire station within Section 18 may not be feasible due to its location and response time. However, for purposes of my calculations, I assumed a fire station would be constructed.

Q.6 How did you calculate projected demand for each of these types of facilities, and upon what information or assumptions are your calculations based?

A.6 I obtained one (1) year of monthly demand records from two (2) public water utilities for elementary and middle schools. I then applied the actual average day demand and applied industry-accepted peaking factors to calculate peak day demands and the average day of the peak month demands. The assumed school site is 10-acres, which would accommodate an elementary school. Due to its larger size, a middle school would result in increased water use. Given the current uncertainty as to which type of school will be constructed, I determined the well and storage requirements for each type of school.

I also obtained one (1) year of monthly demand records from two (2) public water utilities for fire stations. I then applied the actual average day demand and applied industry-accepted peaking factors to calculate peak day demands and the average day of the peak month demands.

Q.7 How did you proceed to calculate the well production and storage requirements associated with the commercial properties portion of the Pomegranate Farms Subdivision?

A.7 I reviewed Amendment Application submitted to Pima County by the master developers. Approximately 27-acres is identified as Community Activity Center (CAC), with 24-acres of commercial development contained within the northwestern CAC area.

For commercial demands, I reviewed planning documents for several local utilities. Demands for commercial uses range from 1,200 to 2,000 gallons per acre per day. I used the more conservative 2,000 gallons per acre per day demand to calculate the total

average day demand for the commercial uses and applied industry-accepted peaking factors to calculate peak day demands and the average day of the peak month demands. Although the Amendment Application indicates 24 of the 27-acres of Community Activity Center (CAC) is commercial, I assumed all 27-acres is commercial to provide a more conservative analysis.

Q.8 How much would the presence of a TUSD school within the Pomegranate Farms Subdivision (or Section 18) increase the well production and storage requirements in order for DVWC to provide reliable water service to that area?

A.8 Assuming an elementary school is constructed in addition to the 1,500 residential units, total storage requirements would be increased by approximately 276,123 gallons at complete build-out. Total well capacity requirements would be increased to approximately 860-gallons per minute at complete build-out. As noted in the original analysis, 598 gpm is available at existing DVWC wells (448 at the Diablo Village well and 150 at the Sonoran Ranch Estates II well), leaving 262-gpm that would need to be provided from a new well by complete build-out.

Alternatively, assuming a middle school is constructed in addition to the 1,500 residential units, total storage requirements would be increased by approximately 281,100 gallons at complete build-out. Total well capacity requirements would be increased to approximately 865-gallons per minute at complete build-out. As noted in the original analysis, 598 gpm is available at existing DVWC wells (448 at the Diablo Village well and 150 at the Sonoran Ranch Estates II well), leaving 267-gpm that would need to be provided from a new well by complete build-out.

Based on the above calculations, and in order to be conservative, a middle school was assumed in the analysis, as opposed to the smaller-sized elementary school assumed in the Amendment Application.

Q.9 How much would the presence of a DHFD fire station within the Pomegranate Farms Subdivision (or Section 18) increase the well production and storage requirements in order for DVWC to provide reliable water service to that area?

A.9 Assuming a fire station is constructed in addition to the 1,500 residential units, total storage requirements would be increased by approximately 269,709 gallons at complete build-out. Total well capacity requirements would be increased to approximately 854-gallons per minute at complete build-out. As noted in the original analysis, 598 gpm is available at existing DVWC wells (448 at the Diablo Village well and 150 at the Sonoran Ranch Estates II well), leaving 256-gpm that would need to be provided from a new well by complete build-out.

Q.10 How much would the presence of 27 acres of developed commercial properties within the Pomegranate Farms Subdivision (or Section 18) increase the well production and storage requirements in order for DVWC to provide reliable water service to that area?

- A.10 Assuming 27-acres of commercial properties are developed in addition to the 1,500 residential units, total storage requirements would be increased by approximately 349,181 gallons at build-out. Total well capacity requirements would be increased to approximately 928-gallons per minute at complete build-out. As noted in the original analysis, 598 gpm is available at existing DVWC wells (448 at the Diablo Village well and 150 at the Sonoran Ranch Estates II well), leaving 330-gpm that would need to be provided from a new well by complete build-out.
- Q.11 Please summarize the increased storage and well capacity requirements which would result if a TUSD middle school, a DHFD fire station and 27 acres of commercial development in fact should occur at Pomegranate Farm.
- A.11 Total storage requirements would be increased by approximately 363,629 gallons at complete build-out. Total well capacity requirements would be increased to approximately 941-gallons per minute at complete build-out. As noted in the original analysis, 598 gpm is available at existing DVWC wells (448 at the Diablo Village well and 150 at the Sonoran Ranch Estates II well), leaving a 343-gpm well capacity addition that would need to be provided from a new well by complete build-out.
- Q.12 Have any of DVWC's existing or proposed pressure tanks been taken into consideration in determining the storage requirements to which you are now testifying?
- A.12 No. In an effort to be responsive to concerns expressed by the Commission's Staff at the May 11, 2006 hearing, I excluded any contribution that existing or proposed pressure tanks might make towards system reliability from my storage requirements calculations.
- Q.13 What assumptions have you made with respect to operating time for wells in your calculations?
- A.13 Consistent with my original calculations for the DVWC system, there is redundant well capacity. At build-out with a middle school, fire station and 27-acres of commercial properties together with the 1,500 residential units, there is approximately 2.6 times more well capacity than is necessary to meet average day demands. In other words, wells would typically operate less than 40% of the time, or approximately 9 hours per day.
- Q.14 Will DVWC have the ability to add the additional storage and well capacity which you have calculated when it is needed?
- A.14 In my opinion, it will.
- Q.15 Have you included any well production or storage capacity contribution from the Tucson Water interconnect in your calculations?
- A.15 No. I have excluded any contribution from the Tucson Water interconnect in my well and storage calculations.

Q.16 Have you revised DVWC's proposed Curtailment Tariff, which was admitted into evidence as Exhibit A-7 at the May 11, 2006 hearing?

A.16 Yes. In response to concerns expressed by the Commission's Staff, I have revised the proposed Curtailment Tariff to be consistent with the terms and conditions contained in the Staff's model tariff. The revised from of Tariff is Exhibit No. A-17.

Q.17 Have you reviewed the September 1, 2006 Second Amended Staff Report, which has been filed in this proceeding, and, in particular, the Commissions Staff's discussion at pages 2-3 of the differences in costs associated with the provision of water system infrastructure to the Pomegranate Farms Subdivision as between DVWC and Tucson Water?

A.17 Yes, I have.

Q.18 Have you independently prepared an exhibit in which you have identified and calculated what you believe to be the nature and amount(s) of those cost differences as between DVWC and Tucson Water?

A.18 Yes, the results of my independent investigation are set forth in Exhibit No. A-15.

Q.19 Is that the same Exhibit No. A-15 that Mr. Thim refers to and discusses in his Prepared Direct and Rebuttal Testimony?

A.19 Yes, it is.

Q.20 Does that complete your Prepared Supplemental Direct Testimony?

A.20 Yes.

DIRECT AND REBUTTAL TESTIMONY
OF
ROBIN THIM
DOCKET NO. W-02309A-05-0501

Q.1 Please state your name and business affiliation with Diablo Village Water Company ("DVWC").

A.1 My name is Robin Thim. I am the President and owner of DVWC, which is an Arizona public service corporation. As the name suggests, DVWC is a water utility, and it is regulated by the Arizona Corporation Commission ("Commission").

Q.2 Please describe your experience in the water utility industry in Arizona.

A.2 I have been involved in the water utility industry in Arizona since 1966, or for approximately 40 years. During that period of time I have owned and operated several water utility companies which have been and are regulated by the Commission.

Q.3 Please identify those companies, and indicate the approximate number of customer connections associated with each.

A.3 The company names and the approximate current customer connections for each are as follows:

DVWC	700
Thim Utility Co.	
Three Points system	600
E&T system	200
Lazy B system	28
Thim Water Corporation	75

Q.4 Are each of these water utility systems currently in compliance with all laws and regulations applicable to their respective operations?

A.4 Yes, to the best of my knowledge.

Q.5 What is the background to DVWC filing the Application currently pending in Docket No. W-02309A-05-0501 which would extend the Company's currently certificated water service area, in order to be able to provide water service to and within Section 18 and the Pomegranate Farms Subdivision?

- A.5 As Exhibit Nos. A-1, A-2 and A-3 indicate, Section 18 is immediately adjacent to a portion of the western boundary of DVWC's currently certificated water service area. Moreover, the distance between the company's existing water system facilities and the nearest point where those facilities would interconnect with the water system facilities proposed to be constructed in Section 18 is approximately only 660 feet.

In late June or early July 2005, DVWC was contacted by Monte Seymour, who was then the owner of a substantial portion of the acreage contained in Section 18. Mr. Seymour and the other Section 18 landowners were considering the possibility of developing Section 18 into one or more residential subdivisions, and wanted to know if DVWC would be interested in providing water service to the area. I indicated that the Company would be interested. Shortly thereafter, DVWC's Application to extend its CC&N to include Section 18 was filed on July 14, 2005; and a copy of a July 8, 2005 letter from Mr. Seymour formally requesting service was attached to the Application as an appendix. That filing was assigned Docket No. W-02309A-05-0501. Notice of the filing of the Application was published in a local newspaper.

Subsequently, Mr. Seymour and the other Section 18 landowners decided instead to sell their acreage and let the new owners do the development; and, in September 2005, the Section 18 acreage was conveyed by Mr. Seymour, his wife and I. Glenn Lance to Pomegranate Farms I, L.L.C. and Arboreal Agricultural Resources, L.L.C. The members of Pomegranate Farms I and Arboreal Agricultural Resources also had been (and currently remain) involved in the development of the Sonoran Ranch Estates I and II Subdivisions, which are located within that portion of DVWC's currently existing CC&N which borders Section 18.

Based upon their previous satisfactory relationship with the company as a water service provider to Sonoran Ranch Estates I and II, the members of the two (2) limited liability companies indicated they would like DVWC to continue to pursue its then pending Application to extend its CC&N to include all of Section 18. The original such request was oral, and it was subsequently confirmed in writing in December 2005 by Margaret Phillips, a member of both of the limited liability companies. That letter has been admitted into evidence in this proceeding as Exhibit A-4; and, Ms. Phillips testified at the May 11, 2006 hearing before the Commission in support of DVWC's Application in this case. As the hearing transcript reflects, Ms. Phillips expressed a strong preference for DVWC as the water provider for the Pomegranate Farms Subdivision.

- Q.6 What is the nature of the development that it is anticipated will occur in Section 18?

- A.6 As indicated in Exhibit No. A-3, and as testified to by Ms. Phillips at the May 11, 2006 hearing, the master developers plan for approximately one thousand five hundred (1,500) single-family residences in the Pomegranate Farms Subdivision. In addition, as Ms. Phillips also testified, there will be approximately 27 acres of commercial development, a possible Drexel Heights Fire District facility and possibly up to two (2) Tucson Unified School District facilities within Section 18 as well.

Q.7 Has the demand associated with each of these categories been calculated, and has a determination been made as to the well production and storage reservoir facilities that will be needed to serve that demand in an adequate and reliable manner?

A.7 Yes. During her testimony at the May 11, 2006 hearing, Sheila Bowen of Castro Engineering provided that information for the demand associated with the one thousand five hundred (1,500) single family residential units. In so doing, she assumed Pima County approval of the master developers' contemplated higher density zoning request. In this regard, Ms. Bowen prepared and sponsored Exhibit Nos. A-5 and A-6, which depict the well production and storage reservoir facilities requirements at complete build-out in DVWC's existing CC&N and the requested CC&N extension, respectively. Those exhibits were also admitted into evidence at the May 11, 2006 hearing.

In her Supplemental Direct Testimony, and related Exhibit Nos. A-13 and A-14, which are being filed contemporaneously with my testimony, Ms. Bowen has (i) calculated the projected demands associated with 27 acres of commercial development, a fire district facility and a district school facility; and (ii) determined the amount of well production and storage reservoir capabilities that will be occasioned by these load additions at complete build-out at the Pomegranate Farms Subdivision. That testimony and those exhibits will be presented at the October 4, 2006 hearing in this proceeding.

Q.8 How will the necessary well production and storage reservoir facilities be financed?

A.8 Water Supply Corp owns the well site and all of the water production and storage reservoir facilities which are located at Well Site No. 1. These facilities consist of (i) a well with a currently rated production capacity of 425 gallons per minute ("gpm"), (ii) a 200,000 gallon steel tank storage reservoir, (iii) two (2) 5,000 gallon pressure tanks, and (iv) related electrical and miscellaneous equipment. DVWC owns Well Site No. 2, and the water production and storage reservoir facilities which either are or will be located at that site. These facilities consist of (i) a well with a currently rated production capacity of 550 gpm, (ii) a 300,000 gallon steel tank storage reservoir, (iii) two (2) 5,000 gallon pressure tanks, and (iv) related electrical and miscellaneous equipment. The funding for the facilities at Well Site No. 2 was provided by Water Supply Corp.

Q.9 What is the nature of the relationship, if any, between DVWC and Water Supply Corp?

A.9 I own each company.

Q.10 In the Arizona Corporation Commission Staff's ("Staff") September 1, 2006 Second Amended Staff Report ("Staff Report"), Staff has recommended that, as a condition to approval of DVWC's request for extension of its CC&N, the Commission "order the company to transfer the wells into Diablo"?

Is that condition acceptable to you?

- A.10 Yes, if the Commission issues a decision approving the requested extension of DVWC's CC&N, and on terms and conditions otherwise acceptable to DVWC. In such event, all of the well production and storage facilities currently owned by Water Supply Corp. would be conveyed to DVWC in return for the acquisition of an equity ownership interest in DVWC of equivalent value.
- Q.11 Would such a conveyance also include fee title to the land on which Well Site No. 1 is located?
- A.11 Yes; and, DVWC already owns Well Site No. 2.
- Q.12 Are the two (2) wells, the two (2) steel tank storage reservoirs, and the four (4) 5,000 gallon pressure tanks that you have been discussing the same as those types of facilities referred to on Exhibit Nos. A-5 and A-6?
- A.12 Yes.
- Q.13 What additional well production and storage reservoir facilities will be needed to provide ongoing adequate and reliable service to and within DVWC's existing CC&N, and as requested to be extended, at complete build-out in both areas?
- A.13 As indicated in Ms. Bowen's Supplemental Direct Testimony, an additional 343 gallons per minute of well production capacity, and an additional 363,629 gallons of storage reservoir capacity would be needed at complete build-out in the combined areas.
- Q.14 How would those facilities be financed?
- A.14 Either through appropriate off-site facilities agreements with the developers of the Pomegranate Farms Subdivision, or an infusion of equity capital from the ownership of DVWC. Or, perhaps a combination of these two (2) funding sources would be the means selected.
- Q.15 How will the transmission and distribution system facilities necessary to provide water service to and within Section 18 and the Pomegranate Farms Subdivision be installed and financed?
- A.15 As Ms. Phillip's indicated in her testimony at the May 11, 2006 hearing, the master developers of the Pomegranate Farms Subdivision will pay for the transmission "approach main" or facilities necessary to interconnect the northeast corner of Section 18 with the western portion of DVWC's existing water system. We estimate that that cost to the master developers will be on the order of \$39,600 for this interconnection.

The transmission and distribution water system facilities within Section 18 and the Pomegranate Farms Subdivision will be financed and constructed pursuant to Line Extension Agreement(s) ("LEA") entered into between the several homebuilder firms, who will be constructing and selling the single family residences within the Pomegranate

Farms Subdivision, and DVWC. These LEA's will be in the nature of those provided for in the Commission's regulations for water utilities; and, they will be submitted to the Staff for review and approval before construction of the facilities in question begins.

Q.16 What is your understanding as to who will ultimately bear the cost of installing the transmission and distribution water system facilities to and within Section 18 and the Pomegranate Farms Subdivision?

A.16 Ultimately, the cost would be borne by those persons and entities who purchase the homes and the commercial properties which are constructed.

Q.17 Upon what is your understanding based?

A.17 My observations over the years during my time in the water utility industry in Arizona; and, the testimony of Ms. Phillips at the May 11, 2006 hearing in this proceeding.

More specifically, it has been my observation in recent years that water utilities are increasingly relying on the use of LEA's as a means for financing the construction of both on-site and off-site water system facilities. This has particularly been the case with new residential subdivision and commercial properties. In that regard, it has also been my understanding that the developers of those homes and commercial properties include the recovery of the cost of utility facilities they have financed in the price of their ultimate product, namely, homes and commercial properties. So, ultimately that cost is borne by the homebuyer or the commercial property owner.

Indicative of this is Ms. Phillips' testimony in this proceeding on May 11, 2006, where she candidly stated that she and her partner intended to recover the cost of utility infrastructure which they had financed in their land prices to the homebuilders. In addition, she further testified that she anticipated that those homebuilders would price the sale of their product so as to include recovery of any utility facilities they had financed, directly or indirectly.

Q.18 So, to summarize on this point, is it the homebuyers and the commercial property purchasers who will ultimately bear the cost of the transmission and distribution facilities necessary to provide water service to and within Section 18 and the Pomegranate Farms Subdivision?

A.18 Yes.

Q.19 Are those homebuyers and commercial property owners the same persons or entities as the ratepayers of the utility which will provide water service to them?

A.19 In the case of the homeowners, the answer is "yes," except in those limited situations where the homeowner leases the home to someone else, and that person pays the bills for water utility service. In the case of the commercial property owner, the person or entity paying the bill for water service will depend upon the terms of the commercial lease.

But, in most situations in Section 18 and the Pomegranate Farms Subdivision, the individual property owner and the water utility ratepayer will probably be one and the same.

Q.20 That being so, is there a cost difference to the homebuyer and the commercial property owner between DVWC providing water service to and within Section 18 and the Pomegranate Farms Subdivision, and Tucson Water providing such service?

A.20 Yes, and it is a significant difference, which favors the provision of service by DVWC.

Q.21 Would you please explain how and why?

A.21 Let me start by removing from consideration those costs where there is probably not a significant cost difference, if any. That area relates to the cost of transmission and distribution system facilities. It is my understanding that DVWC and Tucson Water essentially use the same types of engineering criteria in the design of facilities, and that each requires the developer to finance the cost of construction of the same under LEAs or an equivalent type of arrangement. Thus, I would anticipate the cost of these facilities to be essentially the same for the homebuyer and the commercial property purchaser, regardless of whether the water provider was DVWC or Tucson Water. The discussion at page 2 of the Staff Report indicates that the Staff has reached a similar conclusion on this point.

Where the significant cost differences occur, and they clearly favor the provision of water service by DVWC, are in the areas of (i) the cost of the "approach main" or interconnection facilities, and (ii) the fees and charges imposed by DVWC and Tucson Water, respectively. As I indicated a moment ago, there is a distance of only 660 feet between the northeastern corner of Section 18 and the nearest point of suitable interconnection with DVWC's existing water system facilities. We estimate the cost of such interconnection to be on the order of \$39,600. As noted at page 2 of the Staff Report, Staff estimates the distance from Tucson Water's nearest transmission facility to Section 18 is two (2) miles, and the estimated cost of the "approach main" or interconnection facilities is \$351,694. DVWC believes the Staff's cost estimate may be low. But, in any event, the cost of Tucson Water's "approach main" would be at least 8.88 times greater than the cost of DVWC's.

Even more significant is the difference between fees associated with the provision of service by DVWC and Tucson Water, respectively. As noted at pages 2-3 of the Staff Report, this comparison overwhelmingly favors the provision of service by DVWC. More specifically, the Staff has calculated that the total fees to the developer(s) of the Pomegranate Farms Subdivision would be \$3.9 million, not including the \$351,694 "approach main" or interconnection cost, if Tucson Water was the water provider. Whereas, if DVWC is the initial water provider, the estimated cost in fees would be \$525,000. In other words, the cost differential to homebuyers and commercial property owners between Tucson Water and DVWC providing water service is approximately 7.44 times greater if Tucson Water provides the service, based solely upon differences in fees

between the two (2) water systems. If you add in the difference in "approach main" or interconnection cost, the cost differential rises to a 7.53-to-1 ratio, meaning the initial cost of Tucson Water being the water provider is 7.5 times greater than if DVWC performs that role.

Q.22 Have you calculated what this initial cost differential would be for a homebuyer in the Pomegranate Farms Subdivision?

A.22 Yes. The addition of \$3.9 million and \$352,000 (rounded up from \$351,564) equals \$4,252,000. When that figure is divided by 1,500, single-family residences, the resulting amount is \$2,834.67 per home. That \$2,834.67 represents the increased amount in an individual homebuyers purchase price that the developer or homebuilder will have included in order to offset the increased cost associated with water service being provided by Tucson Water. This amount would be reduced somewhat when we allow for that portion of the costs to be borne by commercial property owners, but probably not significantly in the overall picture.

Q.23 Are these cost differences to which you have testified those which would exist before any water has been delivered to any of the future water consumers in Section 18 and the Pomegranate Farms Subdivision?

A.23 Yes, they are independent of any rates or charges for water service.

Q.24 If Tucson Water's rates for actual water service were less than DVWC's would that offset the illustrative \$2,834.67 per residential customer cost differential?

A.24 Yes, but (i) only over an extended period of time, and (ii) depending upon whether or not Tucson Water's rates continued to remain lower than DVWC's. If the current rate difference should decrease or reverse in the future, the cost differential which exists at the outset might never be completely eliminated.

To illustrate these points, if we assume for discussion purposes that the annual rate differential which currently exists between DVWC and Tucson Water for the average residential user is \$283, it would take slightly more than ten (10) years for that ratepayer to "recapture" or "zero out" the initial extra \$2,834.67 he or she paid in the home purchase price by reason of Tucson Water being the water provider. Moreover, this is assuming that Tucson Water's monthly rates continue to be lower than DVWC's monthly water rates in the future, which may not be the case.

Q.25 Assuming that the existing monthly rate differential between Tucson Water's rates and DVWC's monthly rates was to remain constant, or at least continue to favor Tucson Water, does that mean at some point in the future (after 10 years) the aforementioned initial cost differential of \$2,834.67 would ultimately be eliminated or "zeroed out"?

A.25 In theory, the answer to your question would be "yes." However, in reality, that point in time will be influenced by more than just the amount of the differential in monthly rates.

Q.26 Please explain what you mean by your response.

A.26 As Ms. Phillip's and I have each testified, both the master developers and the homebuilder firms will in all likelihood include the costs of providing the water system infrastructure that they incur into the land and home sale(s) price(s), respectively. In turn, in many if not all cases, the extra initial cost associated with Tucson Water being the water provider would probably be a part of the home purchase price financed by the homebuyer with a mortgage or equivalent financing arrangement. Thus, for those homebuyers who do finance in this matter, there would still be an interest expense associated with the initial cost differential of our hypothecated \$2,834.67, which would continue to be incurred by the homeowner (and ratepayer) even after the "zero out" point had been reached in terms of the monthly rate differential.

So, to summarize, more than ten (10) years would have to elapse under our illustration in order for a true "zero out" point to be actually reached; and, the timing as to when that point will occur would be dictated by the financial provisions of a given homebuyer's mortgage or financial equivalent.

Q.27 Has DVWC independently calculated the initial cost differential between DVWC and Tucson Water as the water provider for Section 18 and the Pomegranate Farms Subdivision?

A.27 Yes. Exhibit No. A-15 has been prepared by Ms. Bowen to demonstrate the differences in costs involved between those two alternatives. The exhibit identifies each type of fee or service establishment cost associated with each system.

Q.28 The Staff Report concludes that the initial cost associated with Tucson Water, exclusive of the "approach main" or interconnection facilities is \$3.9 million, or 7.4 times greater than the cost of \$525,000 associated with DVWC. What does Exhibit A-15 show the cost associated with Tucson Water and DVWC to be?

A.28 We have calculated that the extra initial cost of Tucson Water being the water provider in this instance would be \$6,187.62 per home, as contrasted with DVWC's cost of \$3,025.30, or 2.04 times greater than it would be with DVWC as the water provider. Our calculation apparently includes some fees associated with both Tucson Water and DVWC that are not included in the Staff's calculation. But, regardless of that fact, the initial cost associated with Tucson Water remains substantially higher than the initial cost associated with service from DVWC.

Q.29 Would the impact(s) of this illustrative initial cost difference be the same upon the homebuyers and commercial property owners as you testified to a few minutes ago, when you were using the initial cost difference calculated by the Staff as an illustration?

A.29 Yes. Only the amounts would differ, because of the differences in the additional initial costs as calculated by the Staff and DVWC, respectively. The basic underlying

principles regarding the impact of the initial cost difference upon homebuyers and commercial property owners, in their capacities as water utility ratepayers, would be the same.

Q.30 Aside from the significant initial cost differential to which you have been testifying, are there any other reasons why you believe that DVWC is more suitable than Tucson Water as the water provider to Section 18 and Pomegranate Farms Subdivision?

A.30 Yes, there are several.

Q.31 Please describe those.

A.31 In addition to the impact of the initial cost difference upon homebuyers in their capacity as water utility ratepayers, there is the fact that people living in the Pomegranate Farms Subdivision will have no meaningful ability to influence those who would have the authority to set water rates if Tucson Water was the water provider. That is because of (i) the fact that Tucson Water's rates are set by the Tucson Mayor and City Council, and (ii) the fact that Section 18 and the Pomegranate Farms Subdivision are located outside the city limits of the City of Tucson. Homeowners living within the Pomegranate Farms Subdivision would not have the right to vote in City of Tucson elections; and, thus, in effect their situation is analogous to being in a position of "taxation without representation."

The situation would be significantly different if DVWC was the water provider. DVWC is regulated by the Commission as to all aspects of its operations, including rates; and, residents and commercial property owners in the Pomegranate Farms Subdivision would have the right to vote for those individuals seeking to become or remain members of the Commission. In addition, these residents and property owners would have access to the Commission's Staff and complaint procedures, in the event that DVWC's rates were believed to be too high or its services inadequate. It has been my observation that both the Commission and its Staff are very attentive to ratepayer concerns.

Like the impact of the initial cost differential, which I discussed a few minutes ago, I believe that the ability of a water ratepayer to be able to vote upon the question of who will determine his or her future water rates is a very important "public interest" consideration which favors DVWC being authorized to provide water service to Section 18 and the Pomegranate Farms Subdivision.

Q.32 Has the absence of a right to vote in the City of Tucson elections been a source of complaints by, or a cause of concern for, existing Tucson Water customers who are located outside of the city limits?

A.32 Yes, most definitely. That is an issue that has been ongoing in recent years at several different locations in the Tucson metropolitan area. A number of Tucson Water customers are quite unhappy that they do not have a right to vote in the City of Tucson elections. In fact, the Mayor and City Council have internally struggled over this issue,

as well as the issue of whether annexation should be a condition to the receipt of service from Tucson Water. However, neither of these issues has been resolved to date.

Q.33 What other factors favor the provision of water service by DVWC?

A.33 I believe that the clearly expressed preference of the landowner and master developers of Section 18 and the Pomegranate Farms Subdivision is a factor which also should be given serious consideration by the Commission. In this instance, the landowner and master developers have previous experience with DVWC in connection with similar development activities on acreage immediately adjacent to Section 18; and, as a direct result of that experience, they have expressed a clear preference that their needs for water system infrastructure and service be provided by DVWC.

In addition, there is the fact that DVWC is not only willing, but also physically able to provide the requested water service to Section 18 and the Pomegranate Farms Subdivision. As indicated in Ms. Bowen's testimony and exhibits, with the recent addition of (i) a 525 gpm well, (ii) a 300,000 gallon steel tank storage reservoir, and (iii) two (2) 5,000 gallon pressure tanks at Well Site No. 2, DVWC is in a position to provide all of the well production and storage requirements for both the existing CC&N, and the proposed extension, at full build-out, except for a slight addition to well production and storage capacity that would become necessary only in the final phase of development in the Pomegranate Farms Subdivision. As I previously indicated, those remaining facility additions would be financed through owner equity, LEAs or a combination of both.

In summary, and in relation to these two (2) factors, DVWC is ready, willing and able to satisfy the water systems needs of parties who have expressed a desire for its service.

Q.34 Do you have an opinion as to the weighting that you believe Judge Rodda and the Commission should give to each of the four (4) factors you have discussed which favor DVWC being authorized to serve Section 18 and the Pomegranate Farms Subdivision?

A.34 No. That is a matter for the discretion of Judge Rodda, as she prepares her recommendation, and the Commission, as it reaches a decision, in this proceeding. However, I do believe that it is significant that each of these factors clearly favors DVWC over Tucson Water.

Q.35 In connection with its intervention in this proceeding, the City of Tucson has objected to DVWC's request for an extension of its CC&N on the ground that the requested extension area is within the City of Tucson's "50-Year Plan" for Tucson Water. What weight do you believe should be given to that assertion in connection with a decision on DVWC's Application in this proceeding?

A.35 Very little, if any, for at least two (2) reasons. First, the City of Tucson's "50-Year Plan" is precisely that, a "plan," and it is one to which its governing body has not as yet made a firm commitment as of this point in time. More specifically, the "Plan" is in the nature of a general planning tool, not a specific course of action. In that regard, in its response to

data requests served by DVWC, the City of Tucson disclosed that the "50-Year Plan" for the 2000-2050 time period has not been adopted by the Mayor and Council to date, even though the City of Tucson's Citizens Water Advisory Committee recommended adoption in November, 2004, or about two (2) years ago! So, in essence, the "Plan" is a plan, but not as yet an official one. That is a situation that is significantly different from one in which the Commission can impose specific conditions and requirements in the language of a decision granting a CC&N or an extension of an existing CC&N, which is the situation in this proceeding.

Second, the mere fact that the City of Tucson might have a "plan" to provide water service to various (and often remote) areas located outside of the city limits over a projected 50-year period, does not create in the City of Tucson either a legal or equitable "right of pre-emption" or "presumption of pre-emption" over qualified private entities who desire to provide water service in one or more of those same areas.

Thus, for these reasons, I believe that the location of Section 18 and the Pomegranate Farms Subdivision within the non-municipal boundaries of the City of Tucson's "50-Year Plan" is of little relevance, if any, to a decision in this proceeding as to whether DVWC's CC&N extension request should be granted.

Q.36 At an earlier phase in the proceeding, the City of Tucson appeared to be placing great weight upon the fact that Tucson Water has received an "assured water supply" designation, which it could draw upon in providing water service to the Pomegranate Farms Subdivision. In your opinion, is that a significant consideration in connection with the Commission reaching a decision in this proceeding?

A.36 No, not when all of the relevant facts are taken into account. As Ms. Phillip's testified at the May 11, 2006 hearing, the master developers of the Pomegranate Farms Subdivision intend to file an application with the Arizona Department of Water Resources ("ADWR") requesting a Certificate of Assured Water Supply ("Certificate") for that subdivision. As she indicated, she and her partner have already retained Eroll L. Montgomery and Associates, a highly regarded hydrology consulting firm, to prepare the hydrology studies which will support their application to ADWR for a Certificate for the Pomegranate Farms Subdivision. Once Pima County has acted upon certain planning matters, the Montgomery firm will be in a position to determine the projected water use to be assumed in the studies, and the same will be finalized for submittal to ADWR.

As both Judge Rodda and the Commission are aware, the final plat for the Pomegranate Farms Subdivision cannot be legally accepted and approved by Pima County until ADWR has issued the necessary Certificate for the subdivision; and, construction of the on-site water system infrastructure will begin only after final plat approval. Moreover, ADWR will not issue such a Certificate until it has concluded that adequate resources are present in the underlying groundwater aquifer to satisfy the projected water use needs of the Pomegranate Farms Subdivision at build-out for the 100-year statutory period. Finally, the Commission in recent years has made it a practice to condition the ongoing effectiveness of a CC&N or CC&N extension on the filing of proof of an "assured water

supply" certificate or designation for the area to be served by a specific post-decision date.

As a consequence, and because of these inter-related facts or circumstances, a Certificate issued by ADWR for the Pomegranate Farms Subdivision will provide the same degree of assurance as Tucson Water's designation that the necessary water supplies will be available for the long-term future for residents and property owners in that subdivision.

Q.37 Are you familiar with the September 1, 2006 Second Amended Staff Report in which the Staff has recommended approval of DVWC's Application in this proceeding, subject to the Commission's decision including certain conditions which are enumerated in the Staff Report?

A.37 Yes, I am.

Q.38 Please describe DVWC's position with respect to each of those conditions.

A.38 The conditions appear on page 4 of the Staff Report. Each of the conditions recommended by the Staff is acceptable to DVWC, and I believe that the company is in a position to satisfy two (2) of them at this time.

Q.39 Please discuss each condition.

A.39 The first condition would require that DVWC submit a copy of "Pima County's Approval to Construct for the proposed 300,000 gallon storage tank" to the Commission. Attached as Exhibit No. A-16 are copies of (i) the Certificate of Approval to Construct the 300,000 gallon steel tank storage reservoir at Well Site No. 2, and (ii) a color photograph of the storage reservoir as it has been constructed. We anticipate equipping the 550 gpm well that has already been drilled at Well Site No. 2, and installing the related booster station and two (2) 5,000 gallon pressure tanks, as soon as the water line from the existing DVWC system, and three (3) phase electric service from TRICO, have been extended to Well Site No. 2. Completion of those activities and connecting the 300,000 gallon storage reservoir should occur within 1-2 months after the water line and electric service have been extended to Well Site No. 2. Thereafter we will file the Certificate of Completion with the Pima County Department of Environmental Quality, and we would submit a copy as well to the Commission. DVWC already owns and has in its inventory the equipment necessary to complete each of these activities.

The second condition would require DVWC to file a proposed curtailment tariff which, as we understand the recommendation, would reflect the "terms and conditions contained in Staff's model tariff." Earlier in this proceeding, DVWC filed a proposed curtailment tariff, which was admitted into evidence as Exhibit No. A-8. Apparently the Staff preferred use of a curtailment tariff based upon the Staff model tariff. Accordingly, attached is Exhibit No. A-17, which represents that form of curtailment tariff DVWC now proposes for its water system.

Q.40 Are Exhibit Nos. A-16 and A-17 intended to be responsive to the first two (2) conditions to a Commission decision approving DVWC's Application, as set forth at page 4 of the Staff Report?

A.40 Yes.

Q.41 Please continue with your discussion of the remaining conditions.

A.41 The third condition would require that Water Supply Corp. transfer ownership of "the well" into DVWC, and that documents showing such a transfer be filed with the Commission within six (6) months after a decision in this case. As I have previously indicated in this testimony, assuming a Commission decision in this proceeding approving DVWC's Application, with conditions acceptable to DVWC, Water Supply Corp. is willing to transfer its ownership interest in the facilities located at Well Site Nos. 1 and 2 to DVWC in return for an equity ownership interest in DVWC of equivalent value.

The fourth condition would require that DVWC file with the Commission a copy of the Certificate of Assured Water Supply for the Pomegranate Farms Subdivision, when and as issued to the developers by ADWR. This condition is acceptable to DVWC, and it would make such a filing promptly after receiving the same from the developers. However, since DVWC does not have any influence over the filing and processing of the developers' Application for the Certificate of Assured Water Supply, I would suggest that the Commission consider an eighteen (18) or twenty-four (24) month period after the date of a decision in this proceeding, within which to make such filing, rather than the one (1) year period recommended by the Staff. The construction and sale of new homes cannot begin until after the Certificate has been issued, so the period of time allowed for filing the same would not jeopardize future water customers in Section 18.

The fifth condition would require that the Commission order DVWC to use the NARUC system of accounts, and that the company file a statement from a Certified Public Accountant attesting to that fact within six (6) months from a decision by the Commission in this proceeding. This condition is also acceptable to DVWC.

The sixth and final recommendation from the Staff contemplates DVWC filing a rate case application by June 30, 2007, using a calendar year 2006 test year. This condition is also acceptable to DVWC.

Q.42 Are there any final remarks you wish to make in support of DVWC's Application to extend its CC&N to include Section 18 and the Pomegranate Farms Subdivision?

A.42 Yes. In the testimony and exhibits that DVWC has presented through Ms. Phillips, Ms. Bowen and me, DVWC has tried to (i) address those questions the Commission has occasion in deciding whether or not to grant a CC&N extension request, (ii) respond to various questions raised and recommendations set forth in the Staff Report, and (iii)

respond to and rebut arguments that the City of Tucson has raised thus far in this proceeding in its opposition to DVWC's Application.

I believe that DVWC has made a strong and convincing demonstration of why its Application should be approved; and, we are pleased that the Staff Report reached a similar conclusion.

Q.43 Does that complete your Direct and Rebuttal Testimony in this proceeding?

A.43 Yes, it does.

Diablo Village Water Company

Docket No. W-02309A-05-0501

Exhibit A-13

Exhibit A-13 (For Identification)
Facility Requirements with the Addition of 1,500
Homes in Pomagranate Farms at Valencia (at Build
Out) Plus Middle School, Fire Station & 27 Acres
Commercial

TOTAL WATER DEMAND CALCULATIONS

Node	Status	Lot Node	Persons/Lot	Gallons per Capita per Day (GPCD)	Average Demand (GPD)	ADD (GPM)	PDD (GPM)	Average Day of Peak Demand (GPD)	Average Day of Peak Demand (GPM)	First Flow (GPM)	Tucson Water Interconnect (GPD)	Tucson Water Interconnect (GPM)	base delivery of 44,000 ccf per year for existing development, where 1 ccf = 748 gal
Diablo Village Estates (Existing Homes)	Platted/PDEQ Approved	200	2.7	125.0	67,500	47	94	101,250	70	500	90,170	63	
Diablo Village Townhouses	Platted/PDEQ Approved	59	2.7	125.0	19,813	14	28	28,869	21	500			
Tucson Mountain Ranch	Platted/PDEQ Approved	50	2.3	108.3	12,455	9	17	18,682	13	500	19,468	14	(190 ccf / connection per year)
Tucson Mountain Ranch	Platted/PDEQ Approved	132	2.3	108.3	32,880	23	46	48,320	34	500	0	0	
Sonoran Ranch Villages	Platted/PDEQ Approved	110	2.3	108.3	27,400	19	38	41,100	29	1,000	0	0	
Sonoran Ranch Estates	Platted/PDEQ Approved	209	2.3	108.3	52,000	36	72	78,090	54	1,000	0	0	
Exale Point Estates	Platted/PDEQ Approved	273	2.3	108.3	68,002	47	94	102,002	71	500	0	0	
Caddis Haler Estates (178, 205-224, 254-511)	Platted/PDEQ Approved	161	2.3	108.3	40,103	28	56	60,155	42	1,000	0	0	
Sonoran Ranch Estates II	Platted Approved	572	2.3	108.3	83,694	58	116	125,541	87	1,000	0	0	
Subtotal Committed		2,102			646,485	380	768	819,728	569		63,600	76	
Proposed Additional Residential Homes		1,500	2.3	108.3	373,635	259	519	560,453	389	1,000	0	0	(190 ccf / connection per year)
Fire Station (2-acre)		n/a	n/a	n/a	1,019	1	1	1,529	1	1,500			
School (middle school)		n/a	n/a	n/a	8,613	6	12	12,920	9	1,500			
Commercial (27 acres)		n/a	n/a	n/a	54,000	38	75	81,000	56	1,500			
Subtotal Proposed		1,800			437,267	304	607	686,901	465		0	0	
TOTAL WATER DEMAND CALCS		3,902			883,752	683	1,365	1,476,629	1,035		63,600	76	
Pomagranate Farm (40- acres)						63							
TOTAL WATER DEMAND CALCS (W/ FARM)						746							
STORAGE													
Existing Storage													
Proposed Storage (to be Constructed in 2006)													
Diablo Village Water Co. Steel Tank						200,000			10,000	gallons/day	(2" 5,000 pressure tanks)		Note: pressure tanks not counted toward storage
Diablo Village Water Co. Pressure Tanks						300,000			10,000	gallons/day	(2" 5,000 pressure tanks)		Note: pressure tanks not counted toward storage
Diablo Village Water Co. Steel Tank						500,000			10,000	gallons/day	(2" 5,000 pressure tanks)		
Diablo Village Water Co. Pressure Tanks						1,475,629			(average day of the peak month)				
Total demand						975,629							
Physical Storage Excess/Deficit													
Existing Well Capacity													
TW Equivalent Well Capacity (Assumed Zero)													
Proposed Well Capacity (to be Constructed in 2006)													
Total Well Capacity													
Enter Largest Well Capacity													
Equivalent Storage Capacity (Total Well Capacity minus the largest well)													
Net Storage Excess/Deficit													
WELL CAPACITY													
Existing Well Capacity													
Proposed Well Capacity (to be Constructed in 2006)													
Tucson Water Well Capacity (Assumed Zero)													
Net Well Capacity													
Comparison to ADD (INCLUDES FARM)													
Comparison to PDD													
PDD													
Well Capacity Minus the Largest Producing Well													
Net Well Capacity Excess/Deficit													
*Well Capacity typically based on PDD with reserve capacity available to meet PDD with the Largest Well out of Service													
Capacity Available at Existing Diablo Village Well													
Capacity at 70% Total													
Existing Equipment													
Additional Capacity Available													
Capacity Available at SREI Well													
Capacity at 70% Total													
Existing Equipment													
Additional Capacity Available													
Total Additional Capacity Available at current Diablo Village wells													
Additional Capacity Needed AT BUILD OUT													

Diablo Village Water Company

Docket No. W-02309A-05-0501

Exhibit A-14

Exhibit A-14 (For Identification)
Facility Requirements Summary

	Existing	w/ 1500 Homes	w/ 1500 Homes & Ele School	w/ 1500 Homes & Middle School	w/ 1500 Homes & Fire Station	w/ 1500 Homes & Commercial	Total Needed w/ 1500 Homes, Middle School, Fire Station & Commercial	Change from Previous Calculations (1500 Homes at Buildout Compared to Total Needed)
Storage (gallons)	292,272	(268,181)	(276,123)	(281,100)	(269,709)	(349,181)	(363,629)	(95,448)
Well (gpm)	975	(853)	(860)	(865)	(854)	(928)	(941)	(88)

	Incremental Change from Previous Calculations (1500 Homes at Buildout Compared to Middle School)	Incremental Change from Previous Calculations (1500 Homes at Buildout Compared to Fire Station)	Incremental Change from Previous Calculations (1500 Homes at Buildout Compared to Fire Station)	Incremental Change from Previous Calculations (1500 Homes at Buildout Compared to Total Needed)	
	(12,920)	(1,529)	(81,000)	(95,448)	
	(12)	(1)	(75)	(88)	

Note: the incremental change from Previous Calculations (1500 Homes at Buildout Compared to Ele School) is: (7,943) storage & (7) well capacity.

Diablo Village Water Company

Docket No. W-02309A-05-0501

Exhibit A-15

Exhibit A-15 (For Identification)
Cost Comparison

Item	Tucson Water Fee	Diablo Village Fee	Applicable Item	Applicable Unit	Estimated Number of Units	Tucson Water Estimated Cost	Diablo Village Estimated Cost
System Equity Fee	\$ 1,416.00	\$ -	5/8" Meter	EA	375	\$ 531,000.00	\$ -
System Equity Fee	\$ 3,540.00	\$ -	1" Meter	EA	1,125	\$ 3,982,500.00	\$ -
New Meter Installation	\$ 190.00	\$350.00	5/8" Meter	EA	375	\$ 71,250.00	\$131,250.00
New Meter Installation	\$ 230.00	\$ 500.00	1" Meter	EA	1,125	\$ 258,750.00	\$ 562,500.00
Hydrant Meter (Construction)	\$ 95.00		2-1/2" Meter	EA		\$ -	\$ -
Main Extension Contractor Fee	\$ 30.00	\$ 30.00	Waterline	LF	105,600	\$ 3,168,000.00	\$ 3,168,000.00
Main Extension Administrative Fee	\$ 315.00		Waterline	One Time		\$ 315.00	\$ -
Service Connection for Fire Protection Contractor Fee			Connection	EA		\$ -	\$ -
Service Connection for Fire Protection Administrative Fee	\$ 315.00		Connection	EA		\$ -	\$ -
Fire Hydrant Contractor Fee	\$ 1,500.00	\$ 1,500.00	Fire Hydrant	EA	215	\$ 322,500.00	\$ 322,500.00
Fire Hydrant Administrative Fee	\$ 315.00		Fire Hydrant	EA		\$ -	\$ -
Water Meter Installation (Additional Fee to expose & uncover)	\$ 235.00		Meter	EA	1,500	\$ 352,500.00	\$ -
Water Service Turn on Charge	\$ 25.00	\$25.00	Service	EA	1,500	\$ 37,500.00	\$ 37,500.00
Water Master Plan Review First Sheet (First Submittal)	\$ 250.00		Cover Sheet	EA	1	\$ 250.00	\$ -
Water Master Plan Review Subsequent Sheets (First Submittal)	\$ 120.00		Plan Sheet	EA	16	\$ 1,920.00	\$ -
Water Master Plan (Resubmittal)	\$ 130.00		Plan Set	EA	1	\$ 130.00	\$ -
Design Review First Sheet (First Submittal)	\$ 365.00		Cover Sheet	EA	1	\$ 365.00	\$ -
Design Review Subsequent Sheets (First Submittal)	\$ 120.00		Plan Sheet	EA	61	\$ 7,320.00	\$ -
Design Review First Sheet (Resubmittal)	\$ 130.00		Cover Sheet	EA	1	\$ 130.00	\$ -
Design Review Subsequent Sheets (Resubmittal)	\$ 60.00		Plan Sheet	EA	61	\$ 3,660.00	\$ -
Pipeline Inspection Service First 200 feet	\$ 315.00		Waterline	EA	1	\$ 315.00	\$ -
Pipeline Inspection Service Per Foot Beyond 200 Feet	\$ 5.00	\$3.00	Waterline	LF	105,400	\$ 527,000.00	\$ 316,200.00
Inspection Fee Water Facilities (Non Pipeline) - Well	\$ 4,005.00		Well	EA	1	\$ 4,005.00	\$ -
Inspection Fee Water Facilities (Non Pipeline) - Booster Station	\$ 4,005.00		Booster Sta	EA	1	\$ 4,005.00	\$ -
Inspection Fee Water Facilities (Non Pipeline) - Reservoir	\$ 4,005.00		Reservoir	EA	1	\$ 4,005.00	\$ -
Inspection Fee Water Facilities (Non Pipeline) - HP Tanks	\$ 4,005.00		HP Tanks	EA	1	\$ 4,005.00	\$ -
Estimated Total						\$ 9,281,425.00	\$ 4,537,950.00
Average Cost/Homeowner (1500 homes)						\$ 6,187.62	\$ 3,025.30

Notes:

1. It is assumed that 75% of services will be 1" split service connections and 25% will be 5/8" single service connections
2. System Equity Fee is applied to all new potable water service connections to fund Capital Improvements in system
3. Meter fee reflects meters without automated meter reading device. The Tucson Water fee is 5/8" meter = \$305 and 1" is \$340
4. LF of waterline based on 20 miles of public streets
5. Estimated contractor cost of waterline assumes average price of \$30/foot
6. Master Plan sets estimated at 1 cover sheet, 1 detail sheet and 15 plan sheets (at 100 scale)
7. Plan sets estimated at 1 cover sheet, 1 detail sheet and 60 plan sheets (at 40 scale)

Diablo Village Water Company

Docket No. W-02309A-05-0501

Exhibit A-16

PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY
TECHNICAL REVIEW UNIT
150 West Congress, 1st Floor, Tucson, Arizona 85701-1317
Telephone: 740-3340

RECEIVED
JUL 24 2006

TO: SMB
CC: _____

CERTIFICATE OF APPROVAL TO CONSTRUCT
Water Facilities

JOB. # SONDRO03
*Return this original to Front Desk
to be placed in the job file

BY: _____

System Name: DIABLO VILLAGE WATER COMPANY System No.: 10-357

Project Owner: DIABLO VILLAGE WATER COMPANY

Address: P.O. BOX 13145, TUCSON, ARIZONA 85732-3145

Project Location: T-15-S, R-12-E, SECTION 8 County: PIMA

Description: NEW RESERVOIR AND BOOSTER STATION

Approval to construct the above, described facilities as represented in the approved plan on file with the Pima County Department of Environmental Quality is hereby given subject to the following provisions:

AFTER COMPLETION OF CONSTRUCTION, A PROFESSIONAL ENGINEER, REGISTERED IN THE STATE OF ARIZONA SHALL COMPLETE A FINAL INSPECTION AND SUBMIT AN ENGINEER'S CERTIFICATE OF COMPLETION, ACCURATE "AS BUILT" PLANS, PRESSURE TEST RESULTS, CHLORINATION RESULTS AND MICROBIOLOGICAL TESTING RESULTS TO PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY IN ORDER TO OBTAIN AN APPROVAL OF CONSTRUCTION. THOSE PLANS MUST BE CLEAR BLUELINE PRINTS SUITABLE FOR MICROFILMING AND SHALL CLEARLY AND ADEQUATELY REPRESENT THE FACILITIES AS THEY ARE CONSTRUCTED.

The State law, A.R.S. 49-353, requires that construction of the project must be in accordance with the rules and regulations of the Arizona Department of Environmental Quality.

If this project includes trenching, land stripping, earthmoving or road construction, an air quality activity permit may be required pursuant to P. C. C. Title 17.12.470. For inquiries, regarding air quality activity permits, please call 740-3957.

If construction has not started within one year of the date of this issue, this certificate will be void and a written extension of time shall be required.

Date Approved: July 19, 2006
This approval supersedes the original approval issued on 7/13/2006 to account for a correction to the project description.

Ursula Kramer,
Director

By: Mike Redmond
Mike Redmond, R.S.
Water/Waste Program Mgr.

Cc: File No. PO 39206
ADEQ, SRO
Diablo Village Water Co.
Engineer - Castro Engineering

By: David Amash
David Amash, P.E.
Civil Engineer



Diablo Village Water Company

Docket No. W-02309A-05-0501

Exhibit A-17

Cover Sheet
Arizona Corporation Commission
Docket Control Center

Company/Case Name Diablo Village Water Company

Doing Business As (d/b/a) Diablo Village Water Company

Docket Number (s) W-02309A-05-0501

Description of Document or Nature of Action
Please choose the item that best describes the nature of the case/filing.

UTILITIES - NEW APPLICATION

☐ New CC&N
☐ Rates
☐ Interim Rates
☐ Cancellation of CC&N
☐ Deletion of CC&N
☐ Extension of CC&N
☐ Tariff (NEW)
☐ Request for Arbitration
☐ Full or Partially Arbitrated
☐ Interconnection Agreement
☐ Voluntary Interconnection Agreement
☐ Miscellaneous - Specify: _____

☐ Main Extension
☐ Contract/Agreements
☐ Formal Complaint
☐ Waiver/Rule Variance
☐ Line Siting Committee Case
☐ Small Water Company - Surcharge
☐ Sale of Assets & Transfer of Ownership
☐ Sale of Assets & Cancellation of CC&N
☐ Fuel Adjuster/PGA
☐ Merger
☐ Financing

UTILITIES - REVISIONS/AMENDMENTS TO PENDING OR APPROVED MATTERS

☐ Application:

☒ Tariff: (Promotional or Compliance)
(Circle One)

Company _____
Docket Number _____

Decision No. _____
Docket No: _____

SECURITIES or MISCELLANEOUS FILINGS

☐ Affidavit (Publication, Public Notice)
☐ Comments
☐ Exception
☐ Exhibit(s)
☐ Notice of Appearance/Intent
☐ Notice of Errata
☐ Opposition
☐ Petition

☐ Request/Motion for Extension of Time
☐ Request/Motion for a Hearing
☐ Request/Motion for an Intervention
☐ Miscellaneous Request/Motion
☐ Request/Motion for a Re-hearing
☐ Request/Motion to Continue Hearing
☐ Request/Motion to Strike
☐ Response
☐ Testimony
☐ Waiver
☐ Witness List
☐ Intervention

OTHER: _____

September 25, 2006
Date

Revised 10/15/02

Robin M. Thim
Print the name of the person whose signature appears on the filing
(i.e. Contact Person, Respondent, Attorney, Applicant, etc.)

TARIFF SCHEDULE

Utility: Diablo Village Water Company
Docket No.: W-02309A-05-0501
Phone No.: 520-290-1255

Tariff Sheet No.: 1 of 4
Decision No.: _____
Effective: _____

CURTAILMENT PLAN FOR

(Template 063004)

ADEQ Public Water System No: 10-357

Diablo Village Water Company ("Company"), is authorized to curtail water service to all customers within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Stage 2 Exists When:

- a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

TARIFF SCHEDULE

Utility: Diablo Village Water Company
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Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

Stage 3 Exists When:

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 3, Company shall request the customers to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible. Standpipe service shall be suspended.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Beginning with Stage 3, Company shall post at least 10 signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than Stage 3 until a permanent solution has been implemented.

TARIFF SCHEDULE

Utility: Diablo Village Water Company
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Stage 4 Exists When:

- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- ◆ Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- ◆ Washing of any vehicle is prohibited
- ◆ The use of water for dust control or any outdoor cleaning uses is prohibited
- ◆ The use of drip or misting systems of any kind is prohibited
- ◆ The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- ◆ The use of construction water is prohibited
- ◆ Restaurant patrons shall be served water only upon request
- ◆ Any other water intensive activity is prohibited

The Company's operation of its standpipe service is prohibited. The addition of new service lines and meter installations is prohibited.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least 10 signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to major subdivisions served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

TARIFF SCHEDULE

Utility: Diablo Village Water Company
Docket No.: W-02309A-05-0501
Phone No.: 520-290-1255

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Customers who fail to comply with the above restrictions will be given a written notice to end all outdoor use. Failure to comply within two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.